

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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R 230323Z JAN 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1460

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USADB

FOR NAC AGENCIES

PASS TREASURY FOR ZINMAN/MEYERS

E.O. 11652: ADS, DECLAS. 4/23/76

TAGS/ EAID, EFIN

SUBJECT: REVIEW OF BANK'S RESOURCES POSITION AND PROPOSAL  
FOR INCREASE IN BANK'S CAPITAL STOCK

REF: (A) MANILA 1773, (B) TREASURY 75-222, (C) MANILA 0852

1. ON JAN. 20, BANK DISTRIBUTED WORKING PAPER 2-76 DATED  
JANUARY 19 AND WORKING PAPER 3-76 DATED JANUARY 20, WHICH  
ARE SECOND AND THIRD WORKING PAPERS PROPOSED FOR DISCUSSION  
AT BOARD OF DIRECTORS MEETING SCHEDULED FOR 27 JANUARY.  
WORKING PAPER 2-76 WAS POUCHED 20 JANUARY AND WORKING  
PAPER 3-76 ON 21 JANUARY.

2. WORKING PAPER 2-76 IS A STATISTICAL SENSITIVITY  
ANALYSIS WHICH PROJECTS BANK'S YEAR-END FINANCIAL POSITION,  
ANNUAL CASH FLOWS AND ANNUAL INCOME AND EXPENSES FROM  
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1974 TO 1983. THE VARIABLES ARE (A) PERCENTAGE OF

PROPOSED CAPITAL INCREASE AT 100, 135 AND 150, (B) PERCENTAGE PAID-IN CAPITAL AT 10, 12.5, AND 15, AND (C) PERCENTAGE OF CONVERTIBLE CURRENCY OF PAID-IN CAPITAL AT 40, 50, AND 60. THE BANK ASSUMES THAT THE PAID-IN CAPITAL WILL BE PROVIDED TO THE BANK IN FOUR ANNUAL INSTALLMENTS FROM 1978 THROUGH 1981. VARIATION OF THESE PERCENTAGES PRODUCED 21 SETS OF TABLES BECAUSE LIMITING ASSUMPTIONS ARE (A) RESERVE-LOAN RATIO OF NOT LESS THAN 0.15 AND (B) INTEREST COVERAGE OF NOT LESS THAN 1.25 IN 1981.

3. BANK'S STATISTICAL ANALYSIS SUGGESTS THAT, CONSIDERING LIMITING ASSUMPTIONS AND QUOTE PROPER UNQUOTE BANK INCOME POSITION, ABOUT \$245 MILLION IN CONVERTIBLE CURRENCY PAID-IN CAPITAL WOULD BE NEEDED IN PERIOD ENDING 1981. OF 21 SETS, THERE ARE TWO THAT CAME CLOSE TO THIS CONDITION. THEY ARE (A) IN BOTH SETS 135 PERCENT CAPITAL INCREASE, (B) 12.5 AND 10 PERCENT PAID-IN AND (C) 40 AND 50 PERCENT CONVERTIBLE CURRENCY PORTIONS OF PAID-IN, RESPECTIVELY. BOTH OF THESE SETS WOULD RESULT IN \$248.1 MILLION CONVERTIBLE CURRENCY PAID-IN. THE TRADE OFF IS BETWEEN TOTAL PERCENTAGE PAID-IN AND PERCENTAGE OF CONVERTIBLE PAID IN. ON THIS BASIS, A 10 PERCENT PAID-IN COULD BE JUSTIFIED IF A 50 PERCENT CONVERTIBLE CURRENCY PORTION IS ACCEPTED.

4. BASIC FIGURES RELATING TO CAPITAL STOCK IN MID-1977 ARE: (A) AUTHORIZED CAPITAL - \$3,921.8 MILLION, (B) SUBSCRIBED CAPITAL (OTHER THAN FINLAND, SWEDEN AND WESTERN SAMOA) - \$3,676.1 MILLION, (C) PERCENTAGE OF CALLABLE CAPITAL OF MEMBERS WITH CONVERTIBLE CURRENCIES (OTHER THAN SWEDEN) IN RELATION TO TOTAL CALLABLE CAPITAL (OTHER THAN FINLAND, SWEDEN AND WESTERN SAMOA) - 64.17 PERCENT, (D) PERCENTAGE OF ARTICLE 6.2(B) PORTION OF PAID-IN CAPITAL USABLE IN TERMS SIMILAR TO THOSE MENTIONED IN PARAGRAPH 1(C) AND (D) OF APPENDIX 1 TO DOC. R11-75, I.E., MEMBER CURRENCY PORTION OF NON-REGIONAL MEMBERS (OTHER THAN FINLAND SWEDEN) AUSTRALIA, HONG KONG, JAPAN, NEW ZEALAND AND PHILIPPINES IN LIMITED OFFICIAL USE

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RELATION TO TOTAL MEMBER CURRENCY PORTION OF PAID-IN CAPITAL (OTHER THAN FINLAND, SWEDEN AND WESTERN SAMOA).

5. WORKING PAPER 3-76 IS AN UPDATED VERSION OF SECTIONS I AND II OF WORKING PAPER 4-75 DATED 24 FEB. 1975 THAT ALSO INCORPORATES REPLIES TO SOME OF QUESTIONS RAISED DURING BOARD DISCUSSIONS ON DEC. 16, 1975.

SECTIONS IN WORKING PAPER 3-76 ARE (A) RESOURCE NEEDS OF DMCS AND ORDINARY OPERATIONS OF BANK 1976-1981, (B) PROJECTED TRADE DEFICIT OF DMCS DURING 1976-1981, (C) EXTERNAL RESOURCE REQUIREMENTS OF ORDINARY LOAN COUNTRIES, (D) LEVEL OF BANK'S ORDINARY LENDING OPERATIONS AND (E) OPERATIONAL ASPECTS.

6. AT SCHEDULED JANUARY 27 BOARD OF DIRECTORS MEETING, USADB INTENDS TO MAINTAIN PREVIOUS POSITION AND TO SEEK FURTHER INFORMATION ON QUESTIONS RAISED IN REFTEL B.  
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